

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (03/19):**

BUTTER: Grade AA closed at \$2.3050. The weekly average for Grade AA is \$2.2108 (+.0891).

CHEESE: Barrels closed at \$1.9825 and blocks at \$2.0050 (both record highs). The weekly average for barrels is \$1.9305 (+.2940) and blocks, \$1.9525 (+.3040).

BUTTER: Butter markets are firm following the sharp increase in the CME cash butter price at midweek. The current cash price is the highest it has been since the fall of 1998. Many producers and handlers are very concerned about having sufficient butter stocks for future needs. Often, churning activity is lighter than desired and some producers are pulling stock from inventory to meet current demand. Butter demand is mixed with some buyers indicating that current prices may start to deter consumer buying patterns. Retail feature activity during the current Lenten season is mixed. The higher prices and volatility are limiting what firms are able to do. Food service orders seem to be coming in at steady levels.

CHEESE: The cheese market is firm though an unsettled undertone is developing. All time record high cash prices were set this week for both blocks and barrels at the Chicago Mercantile Exchange. The high prices are starting to slow new orders. Firms with price protection policies on finished product have struggled to cover buy-in orders. Price increases have also caused hoarding to occur. Sellers with extra product have delayed spot sales in anticipation of higher prices. Many cheddar aging programs have been cannibalized to cover current needs. Cheese production continues to lag year ago levels due to lower milk receipts. For most operators, acquiring extra milk remains a surprising counter-seasonal supply problem.

FLUID MILK: Milk production is increasing or starting to increase in much of the country. Favorable weather in the Southeast and Northwest has given the milk flow a boost. California's milk production is mostly steady, but the spring flush is expected to get underway in the near future. In the Upper Midwest and Northeast, spring is trying to establish itself and the milk flow is reported as flat. Bottled milk sales range from slower to good. Many Southern states are seeing their winter residents start to go back north and this is slowing the need for bottled milk in these areas. Surplus milk volumes are heavier in the Southeast, steady at lighter than desired levels elsewhere. A mid-week snow storm in the Midwest and Northeast did close some schools, which created a little extra surplus milk. The fluid cream market is firm and supplies range from tight to adequate. Demand is good, despite prices approaching \$3.00 per pound butterfat. California cream continues to move east, but this is expected to slow next month when prices in California increase sharply.

DRY PRODUCTS: The dry whey and other dry dairy protein markets are the big news this week. Since the first week of March, some producers have increased their dry whey asking prices 6-7 cents. To many contacts, this is one of the fastest market turn arounds in memory. Demand is sharply higher as buyers try to build inventories before prices move much higher. However, production levels are light and expected to be lighter throughout the summer, which tends to put some urgency in buying strategies. Production levels are

dipping to late-summer levels and some producers, because of projected shortfalls in production, have already cut contracts. The WPC market is also showing signs of rapid recovery. With fluid milk supplies expected to be tight all year, dry whey and WPC will likely be in short supply. The NDM market is also firming, but prices are unchanged. Production levels are generally lighter and offerings to CCC appear to be tapering off. Producer inventories are light and most spot sales are coming from the resale side of the market. A good portion of these resale loads are powder once owned by CCC. There have been reports that some traders bought back or are in the process of buying back NDM from CCC inventories. This week, the Kansas City Commodity Office announced awards to process CCC-owned NDM prior to delivery (purchase) a minimum of 63.93 million pounds of fortified NDM for shipment between April and September 2004.

CCC: During the week of March 15 - 19, CCC net NDM purchases total 3,720,664 pounds: 721,638 pounds from the Central region and 2,999,026 pounds from the West.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for April 2004 is \$13.64, up \$1.70 from March. This price is derived from the advanced Class IV skim milk pricing factor of \$5.96 and the advanced butterfat pricing factor of \$2.2525 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for April is \$6.66 and the Class II nonfat solids price is \$0.7400 per pound. The following are the two-week product price averages: butter \$1.9921, nonfat dry milk \$0.8090, cheese \$1.4582, and dry whey \$0.1706.

FEBRUARY MILK PRODUCTION (NASS): Milk production in the 20 major states during February totaled 11.8 billion pounds, up 1.7% from February 2003. However, adjusting production for the additional day due to leap year causes February milk production to be down 1.8% on a daily average basis. January revised production, at 12.5 billion pounds, was down 1.0% from January 2003. Production per cow averaged 1,531 pounds for February, 42 pounds above February 2003 on an unadjusted basis. The number of cows on farms was 7.72 million head, 91,000 head (1.2%) less than February 2003, but 4,000 head more than January 2004.

FEBRUARY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During February, about 9.8 billion pounds of milk were received from producers. This volume of milk is 5.2% lower than the February 2003 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -4.5%.) About 3.6 billion pounds of producer milk were used in Class I products, 4.8 % lower than the previous year. Calendar composition had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilizations were; Class I = 37%, Class II = 11%, Class III = 43%, and Class IV = 9%. The weighted average statistical uniform price was \$13.22, \$0.37 higher than last month, and \$2.18 higher than last year.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY MARCH 15	TUESDAY MARCH 16	WEDNESDAY MARCH 17	THURSDAY MARCH 18	FRIDAY MARCH 19	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.8600 (+.0500)	\$1.9100 (+.0500)	\$1.9500 (+.0400)	\$1.9500 (N.C.)	\$1.9825 (+.0325)	(+.1725)	\$1.9305 (+.2940)
40# BLOCKS	\$1.8725 (+.0625)	\$1.9350 (+.0625)	\$1.9750 (+.0400)	\$1.9750 (N.C.)	\$2.0050 (+.0300)	(+.1950)	\$1.9525 (+.3040)
BUTTER GRADE AA	\$2.0775 (-.0050)	----	\$2.2500 (+.1725)	----	\$2.3050 (+.0550)	(+.2225)	\$2.2108 (+.0891)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, MARCH 15, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 8 CARS BARRELS: 2 @ \$1.8600, 3 @ \$1.8300, 3 @ \$1.8100; 10 CARS 40# BLOCKS: 1 @ \$1.8725, 3 @ \$1.8600, 2 @ \$1.8225, 4 @ \$1.8100; OFFERS UNCOVERED: NONE

BUTTER — SALES: 29 CARS GRADE AA: 2 @ \$2.0825, 2 @ \$2.0850, 9 @ \$2.0825, 2 @ \$2.0900, 4 @ \$2.0825, 1 @ \$2.0900, 6 @ \$2.0825, 1 @ \$2.0800, 2 @ \$2.0775; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$2.0775, 2 @ \$2.0750, 2 @ \$2.0725; OFFERS UNCOVERED: NONE

TUESDAY, MARCH 16, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 1 @ \$1.9100, 1 @ \$1.8925, 1 @ \$1.8700, 1 @ \$1.8650; 3 CARS 40# BLOCKS: 2 @ \$1.9350, 1 @ \$1.8750; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 17, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS: 2 @ \$1.9500, 1 @ \$1.9150, 1 @ \$1.9100; 2 CARS 40# BLOCKS: 1 @ \$1.9750, 1 @ \$1.9350; OFFERS UNCOVERED: NONE

BUTTER — SALES: 7 CARS GRADE AA: 2 @ \$2.1725, 1 @ \$2.2025, 4 @ \$2.2300; BIDS UNFILLED: 34 CARS GRADE AA: 2 @ \$2.2500, 2 @ \$2.2350, 2 @ \$2.2175, 2 @ \$2.2100, 2 @ \$2.2000, 2 @ \$2.1950, 2 @ \$2.1900, 2 @ \$2.1800, 2 @ \$2.1750, 2 @ \$2.1700, 2 @ \$2.1500, 4 @ \$2.1200, 2 @ \$2.1125, 2 @ \$2.0950, 2 @ \$2.0800, 2 @ \$2.0775; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 18, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 19, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 8 CARS BARRELS: 3 @ \$1.9825, 1 @ \$1.9725, 4 @ \$1.9500; 2 CARS 40# BLOCKS @ \$2.0050; OFFERS UNCOVERED: NONE

BUTTER — SALES: 20 CARS GRADE AA: 2 @ \$2.3000, 2 @ \$2.3025, 2 @ \$2.3000, 5 @ \$2.3050, 1 @ \$2.3075, 1 @ \$2.3050, 2 @ \$2.3100, 2 @ \$2.3050, 1 @ \$2.3075, 1 @ \$2.3100, 1 @ \$2.3050; BIDS UNFILLED: 10 CARS GRADE AA: 2 @ \$2.3025, 2 @ \$2.3000, 2 @ \$2.2950, 2 @ \$2.2925, 2 @ \$2.2700; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone remains firm. After the CME cash butter price hit \$2.1725 last Wednesday (3/10), the price has slipped slightly, but still stands well above \$2.00 in mid-March. Trading activity at the CME has been active with more than 130 cars trading during the last four sessions (through 3/15). Churning activity in the East remains light, but most producers are looking for more cream. Reports indicate that Western cream is being shipped across the country to supplement local shortages, but how much of that cream is ending up in churns is unknown at this time. Demand for butter is good as buyers try to get as much as they can before prices move any higher. Like cream, Western butter continues to be shipped across the country. Retail sales are slow to fair and prices are quickly jumping in response to the CME cash price. Food service orders are about steady. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

Butter markets are firm as the cash price at the CME jumped sharply higher. At mid week, the \$2.2500 per pound butter price is the highest butter has been since October 1998. In early September 1998, the cash price topped out at \$2.8100 per pound. During that year, domestic butter stocks were limited and about 46 million pounds of quota and non quota butter were imported into the states to supplement shortages. At this point in 2004, many butter producers and handlers are quite concerned about butter availability for needs later in the year. Importers are looking at imports of quota and non quota butter, but are finding international supplies to be limited. Often reports are not optimistic about milk and cream availability during the 2004 year. The February milk production report was just released which indicated that milk output was down 1.8% from February 2003 on an adjusted daily basis. This follows a 1.0% decline last month. Many Central butter producers are not pleased with the price for spot cream when available, but are often taking advantage of the offerings. In many butter operations, butter production is lower

and, in instances, not keeping pace with demand, thus producers are already pulling from inventory to meet current needs. Butter demand is mixed, with some buyers indicating that current prices will start to deter consumer buying patterns. Some retail feature activity is still being scheduled for the Lenten season, which will surely clear a significant volume of print butter. Food service orders are seasonally steady, although the firm price for this time of the season could limit normal purchasing patterns. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Trading activity has been heavy recently at the cash CME market and prices have been mixed. Prices have moved lower the last few trading sessions, but moved sharply higher this week to \$2.25. Retail prices in stores don't seem to have been impacted much yet by the higher Exchange prices. On the other hand, there are few features being put in place for Easter this year. The high prices and volatility are limiting what firms are able to do. Food service orders seem to be coming in at steady levels. Cream supplies, in general, are less available to churns than a few weeks ago. In California, prices for milk/cream going into ice cream operations will increase sharply on April 1. Therefore, ice cream operations have an incentive to increase production for the next two weeks before their costs increase. Also, operations can make more money selling cream outside of California for churning than keeping it all at home. These two issues are further limiting churning. In general, milk is not as heavy as anticipated. Production per cow in February, adjusted for the extra day, is down in all the Western states when compared to last year. CME weekly surveyed warehouse stocks have declined for the third consecutive week. This has never happened before at this time of year. Normally these inventories increase into spring. Stocks stand at 95.4 million pounds and trail last year by more than 61 million pounds. Current prices for bulk butter range from flat market to 3 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	38% MOISTURE BARRELS			
MARCH 13	1.4490	1.4788	0.8096	2.0537	0.1730
	8,782,787	10,636,762	26,046,050	6,640,543	13,341,484

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are sharply higher and the market tone remains firm. At the CME, the average price for barrels and 40# blocks jumped 14.95 and 13.65 cents, respectively. Contacts wonder how high prices will get before demand slows enough to allow cheese producers' stocks to grow. Some speculate that, the currency exchange rates notwithstanding, imported cheeses may be more attractive now that the U.S. cheese prices are so high. Currently, cheese output in the Northeast remains light. Surplus milk supplies are still tight. Demand for most cheese types is fair to good as buyers/users try to buy ahead of additional price increases. Retail sales are often slower as the higher prices are being passed along to consumers and they are showing more price resistance. Food service orders are steady.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.7175-2.2225
Cheddar Single Daisies	:	1.6750-2.1400
Cheddar 40# Block	:	1.7900-2.0400
Process 5# Loaf	:	1.8475-2.0475
Process 5# Sliced	:	1.8675-2.1050
Muenster	:	1.8900-2.0825
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market remains firm with cash cheddar prices at the Chicago Mercantile Exchange rapidly approaching the all-time record high prices set in 1999. Depending on the variety, plant operators are just starting to see buyer resistance to current prices or a slowdown in orders. However, buyers making purchases under price protection programs have been active. The high prices and tight supplies have caused cheddar aging programs to be rapidly cannibalized. Most major cheese buyers have lighter than desired inventory positions. Many buyers are seeing a slowdown or reduction in committed cheese deliveries. The tight supplies don't seem to be as significant on several specialty varieties that require extra aging. Certainly, holding back on spot sales for a week or two for the weekly price averages to catch up have provided a lucrative incentive for producers and/or sellers. Some industry nervousness over the possibility that high prices will slow cheese demand may cause cheese prices to weaken, yet plants will pay high milk prices around their peak spring milk intakes. Current cheese production is steady to occasionally slightly heavier where milk supplies are showing a seasonal increase. A fire at a bottling facility in the far eastern part of the region caused weekend milk to shift into manufacturing. Cheese yields seem to be slipping seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.8175-1.9875
Brick And/Or Muenster 5#	:	1.8700-2.3050
Cheddar 40# Block	:	1.7700-2.1150
Monterey Jack 10#	:	1.9400-2.2500
Blue 5#	:	2.4000-2.5700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7700-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.1500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
03/15/04	45,584	: 138,866
03/01/04	46,022	: 135,178
CHANGE	-438	: 3,688
% CHANGE	-1	: 3

WEST

Process and natural cheese prices moved sharply higher following trading at the cash CME market last week. Prices continued higher again this week. Block and barrel prices at the Exchange set an all time, high price record this week with blocks at \$1.9750 and barrels at \$1.95. The market continues to be bid up with very little cheese being offered and sold. Some are saying that the increases are also occurring to ration available supplies. Buyers are looking to cover current shortfalls as well as cheese for needs this summer. Under grade cheese is clearing up very well. Process cheese demand is just starting to develop for summer needs. Swiss sales are about steady and prices have only just begun to adjust higher. Aged cheese is in tight supply because not much was put away last fall when prices were also higher than average. Cheese production is not at expected levels for most manufacturing facilities. Any outside milk is also very limited. More contacts are stating that a spring flush is starting to appear in the West and they hope the upturn continues. Some are doubtful that this will help very much. Very high feed prices are expected to limit production per cow increases and replacement heifers are very expensive. The market is firm, but some caution is noted as prices reach record levels, especially for this time of year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7850-2.0450
Cheddar 40# Block	:	1.7775-2.1675
Cheddar 10# Cuts	:	1.9575-2.1775
Monterey Jack 10#	:	1.9675-2.1275
Grade A Swiss Cuts 6 - 9#	:	2.3000-2.4600

FOREIGN

Prices are sharply higher on domestic styles; unchanged on imported cheeses. With U.S. cheese prices advancing as fast as they have been more buyers/users are starting to look at imported varieties for cheeses used in further processing. Due to the currency exchange rates and availability of some types of cheese, imports are slower to develop. Demand for foreign type cheese is improving, but sales of table cheeses are starting to feel the "bite" of higher prices.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.0500	: 2.0125-3.5025*
Gorgonzola	: 3.6900-5.9400	: 2.4900-2.5350*
Parmesan (Italy)	: TFEWR	: 3.4225-3.5125*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 2.0225-2.2475*
Romano (Cows Milk)	: -0-	: 3.2100-5.3825*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.8900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	125	0	64	0	0
SOUTHEAST STATES	0	0	0	0	0	0

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

Regional Milk Market Administrators announced the following, February 2004 uniform prices: Northeast \$13.95, Mideast \$12.87, Southeast \$14.23, Florida \$15.48, and Western New York (a state order) \$13.92 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During February, milk production in the 20 major states totaled 11.8 billion pounds, up 1.7% from February 2003. However, adjusting for the extra day, February milk production is down approximately 1.8% on a daily average basis. The following are the February-to-February changes for selected states: Texas +11.3%, Florida +1.6%, Vermont no change, New York -2.5%, Virginia -3.5%, Kentucky -4.2%, and Pennsylvania -4.4%. (The above, state changes are not adjusted for Leap Year.) A late winter snow storm hit the Northeast at midweek and temporarily disrupted or delayed farm pickups and plant deliveries. According to most contacts, milk production is "creeping" higher in most of the East. Florida contacts who thought that they may have peaked early are now reporting continued gains in milk output. Fluid milk supplies are long in the Southeast, still tight in the Northeast. Bottled milk sales are steady in the North, but the snow storm did force some schools to close, which disrupted bottling schedules. In the Southeast, bottled milk demand is slower and may be a combination of "winter residents" heading north and the fact that milk is not the preferred beverage of the spring break crowd. This is pushing Florida's surplus milk volumes higher. Manufacturing plants in the Southeast did operate on heavier schedules this week. However, most Northeastern plants continue to reduce schedules because of the lack of surplus milk. The condensed skim market is firm. Supplies are tight and prices steady to higher. Contacts, looking at recent price jumps on cheese and butter, feel the condensed skim prices will be sharply higher in coming months. The fluid cream market is firm. Prices are sharply higher due to last week's jump in the CME cash butter price. Demand is still good, but some buyers are reluctant to pay nearly \$3.00 per pound butterfat during March. Local supplies remain tight, but one ice cream plant was down for a day at midweek and this "freed up" some cream for other buyers. California cream continues to be imported, but due to their pricing structure, cream prices will be too high once April arrives. Ice cream production is picking up seasonally despite the sharply higher costs of cream. Cream cheese production is mostly steady, but producers continue to look for more cream. Bottled cream, sour cream and dip output are about steady. Churning activity is moderate and most butter producers are looking for more cream.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.7158-2.9703
DELIVERED EQUIVALENT ATLANTA	-	2.7370-2.9704 M 2.8006-2.8855
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.7582-2.9704

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .8700- .9300
NORTHEAST- CLASS III - SPOT PRICES	- .8300- .9000

MIDWEST

Class I and II fluid demand remain good in the region at levels generally above a year ago. The uneven pattern of spring breaks is providing a few occasional loads of milk to pop up for sale to others. Overall milk supplies are tight to short in the region. Handlers and other sellers are being contacted by people looking for milk and other dairy products that they haven't heard from in years. Most spot manufacturing milk demand is going unsatisfied except for a few where planned plant maintenance shutdowns, and in the far eastern end of the region, where a bottling plant fire caused extra milk to get diverted over the weekend. Current spot manufacturing milk premiums, on a light test, range from \$2.00 - \$3.00 net over class with the majority \$2.50 - \$3.00 over. Record high cheddar prices, set on March 17, have only just started to slow cheese demand. Many cheese manufacturers are behind on orders, shorting orders, or are not taking any new

orders temporarily. Cream and butter prices continue to surge though multiples are little changed. More cream users are looking at alternative products and/or fat supply sources. Current milk receipts are mixed but still seem to be fairly flat with recent weeks but below year ago levels at most operations. Heifer and cow prices at recent auctions remain firm with interest strong. Farmers are selectively fertilizing winter wheat and hauling manure, but trying to go while the ground is still hard. Estimated February milk production in selected Midwestern states adjusted to 28 days, compared with February 2003 is: Wisconsin, 1.701 billion pounds, off 32 million pounds (-1.8%); Minnesota, 640 million pounds, off 25 million pounds (-3.8%); Michigan, 482 million pounds, up 2 million pounds (0.4%); and Iowa, 283 million pounds, down 19 million pounds (-6.3%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAR 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 52.00	\$ 39.00- 44.00
REPLACEMENT HEIFER CALVES	\$300.00-575.00	\$200.00-400.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MAR 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 53.50	\$ 38.00- 50.25

WEST

U.S. milk production for February when adjusted to the comparable 28 days for 2003 indicates a decline in output of 1.8%. This is the largest year to year decline since April 2001. Production per cow was off 0.7% and cow numbers were down 1.2% (91,000) from a year earlier. For selected Western states, output is as follows compared to last year on an adjusted basis: Arizona -2.1%, California -0.3%, Idaho +4.0%, New Mexico +3.6%, and Washington -4.3%. Milk production per cow in February in these states adjusted for the extra day was all negative compared to last year. Cow numbers continue to grow at a slower pace in the region. Milk supplies in CALIFORNIA are often short and not at volumes to meet the current needs of processors. Farm level production is steady and only building slightly seasonally. Many areas still have lower milk volumes than last year. Weather conditions have been favorable lately, so combinations of other factors continue to negatively influence the milk flow. Bottled milk orders have been strong following the recent settlement of the grocery clerk strike. Orders are expected to be heavy over the next few weeks in advance of higher Class 1 prices (+\$2.04) for April. Milk is being pulled out of some manufacturing plants to meet contract milk commitments. Cheese plants would like more milk to make more cheese. Fuel surcharges are being added or increased to compensate for higher fuel costs and hauling charges. Milk production in ARIZONA is steady with recent weeks. The approach towards the seasonal peak has been very subdued and may not increase much more. The influence of weather has been minimal as daily highs are in the lower 90's and good for cows. Plants are running as expected in the state. There is a good call for milk from all class usages. NEW MEXICO milk output is increasing at levels above a year ago. Milk continues to be shipped to other areas of the country to supplement local shortages. Demand for CREAM remains strong across the region. Buyers are looking to make ice cream and other cream based items ahead of projected higher class prices. Cream is leaving the churns for better returns for these items. Supplies remain tight and are not at anticipated levels. The basing points are changing fast as the CME butter price has moved to \$2.25 per pound at midweek. Amazingly, multiples are only changing slightly and range from 112 to 130, FOB. Dry and warm conditions are common over much of the PACIFIC NORTHWEST. The cows are responding by producing some very welcome additional supplies of milk. Most agree that the spring flush has started and most hope for a long, heavy run. Record and near record prices for manufactured dairy products indicate that milk production is not at anticipated levels. Hay supplies are adequate and quality levels are average for this time of year. No problems are expected before new crop hay becomes available. Heifer prices remain firm in the region. Conditions are warming in UTAH and IDAHO and the snow is leaving the valley floors. Not much production response is noted yet. Daily/weekly articles are noted concerning the availability of irrigation water for the upcoming crop season. While conditions are quite variable, expectations are that more water will be available than last year. Some plants are looking for some additional milk to process and they are having a tough time finding anything. This is an unusual circumstance for the spring time of the year when plants are usually full and milk is readily being offered for processing. It does serve to bolster the argument that the firm product prices are for real and that they may just continue. Good quality dairy hay supplies are seasonally tight, but good quality feeder hay is readily available.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged on a steady market. CCC purchases persist in the Central region despite the growing concerns of tight NDM and milk supplies in the oncoming months. More interest is noted in obtaining CCC supplies during the summer months when availability is expected to be reduced, especially in light of the possibility that hot summer temperatures may also deter milk production. NDM production is generally lower due to reduced milk intakes at most locations. Supplies are in balance to tight. Contractual orders are generally being met without difficulty. Spot supply availability is light. The undertone for April is stated as firm.

EAST: Prices are mostly unchanged in the East. The market tone is firmer. Production levels are lighter than expected. Some extra milk did find its way into butter/powder plants this week because the snow storms did close many Northeastern schools for a day. The extra milk was easily cleared and welcomed by the processors. Condensed skim demand remains quite good, but producers feel that prices for wet solids will soon be back above a dollar and this will probably switch more demand back on to NDM. Should that take place, drying schedules will increase slightly. Demand for NDM is good. With speculation of a tighter milk supply this summer, some buyers are trying to buy ahead. Most spot activity is noted on government powder in the resale side of the market. There have been reports of traders/users buying NDM back from CCC.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8900 MOSTLY: .8100 - .8550
HIGHHEAT: .8500 - .9550

NONFAT DRY MILK - WEST

Western NDM markets are holding mostly steady with prices unchanged for both series. There are more concerns being expressed about projections of lower milk supplies and how higher cheese and butter prices will impact the NDM market. Current NDM supplies are tighter than expected. Buyers are more active in the market and are placing orders for current and future coverage. Cheese producers are taking in additional NDM to supplement milk supplies and extend cheese yields. Awards for the export program will be announced early next week, so the industry will take notice to how much of the possible 129 million pounds of fortified NDM will move. Several buyers are looking to supplement upcoming needs with sellbacks from the CCC. During the week of March 8 - 12, CCC purchased 4.0 million pounds of NDM from the West. High heat volumes are slightly higher with increased interest moving more product. Supplies are in good balance for current orders.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .8000 - .8100
HIGHHEAT: .8325 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 12	\$.8036	18,528,015	7,584,572
March 5	\$.8021	14,803,604	4,368,431

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are higher on a firm market. Additional spot loads cleared at some locations, resulting in higher prices with premiums reported above the range on less than trucklot loads. Supplies are tight. Dry buttermilk availability is expected to be limited until late fall due to the reduced amount of cream and butter produced. Condensed buttermilk is steadily flowing into Class II facilities for the good interest.

F.O.B. CENTRAL: .9600 - 1.0200

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

The dry buttermilk market is firm. Prices are steady to higher and nominal in the Northeast. Production levels remain light, but churning activity was up slightly this week. Producer stocks range from tight to closely balanced. Demand is improving in more areas. Reports indicate that powder is occasionally available in the Western region. However, there is little powder available for spot sale from producers. Many sales continue to be contractual or LTL volumes.

F.O.B. NORTHEAST: .8700 - .8800
DELVD SOUTHEAST: .9100 - .9400

DRY BUTTERMILK - WEST

Prices for dry buttermilk are trending higher in a lightly tested market. Availability is limited from most producers because of less butter being made in the region. This is due to the good call for cream and better returns from other Class items. Normally, there is surplus buttermilk available this time of year. Contract sales are often being reduced because suppliers don't have product. Demand is seasonally good for the current limited supplies. End users continue to find alternative products and blends to fill needs. Stocks are light and mostly committed.

F.O.B. WEST: .8900 - .9300 MOSTLY: .8900 - .9200

DRY WHOLE MILK - NATIONAL

Prices are steady to higher and nominal. The market tone is firm. Production levels are light. With the CME cash price for butter in the \$2.20's and dry whole milk's butterfat content, demand is improving. Producer stocks are very light as powder is often made to fill contracts. Also, the tight supply of surplus milk is keeping drying schedules below typical March levels. Imported powder is equally difficult to find as most early-year stocks have been sold.

F.O.B. PRODUCING PLANT: 1.2425 - 1.5000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 - YTD

WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	68,201	MT (150,355,925 LBS)
CHEESE	--	3,030	MT (66,799,938 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are significantly higher on a firm market. Supplies are tight for the good interest. The market is anticipated to remain firm into May. Higher prices are reported to be the result of reduced milk and cheese production, increased export movement and clearance of condensed whey into fractionization plants instead of whey dryers. Some plants state that they are well contracted through April. Traders seeking additional supplies report that loads are difficult to find and therefore are paying higher prices and often reselling above the range. Most contacts report that they have never seen the whey market move this fast. Buyers conjecture that heavy buying now will reduce demand in oncoming months. Producers are concerned with future milk supply availability and are not anticipating any weakness in the market.

F.O.B. CENTRAL: .1950 - .2500 MOSTLY: .1950 - .2250

DRY WHEY - NORTHEAST AND SOUTHEAST

The dry whey market is firm and prices are higher. Northeastern prices are nominal. Many contacts are surprised at how fast this market has turned around, pricewise. A week or two ago, buyers were waiting to see if prices had actually bottomed out and now demand is so good and production so low, some Eastern producers have had to cut contracts and others are regularly taking orders for shipment in May. Even resale loads are more infrequent as traders hold any stocks with confidence. Midwestern producers have increased prices significantly in the past two weeks and asking prices in the mid-twenties are common. Buyers are often making purchases just to avoid running short. In the East, producers do not expect to get much more milk through the spring and most expect supply problems throughout the spring, summer, and fall. Buyers and traders, alike, are scrambling to find loads to fill immediate and future needs. Most contacts agree that this will be a very interesting summer for the dry whey and other dairy product markets.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1900 - .2350
DELVD SOUTHEAST: .2100 - .2800

DRY WHEY - WEST

Western whey prices were sharply higher this past week. Buyers have become very aggressive in looking for additional whey powder from all regions of the country. Many inquiries are going unfilled. This quick market turn around is surprising some contacts. Just a few short weeks ago they were still debating whether a bottom had been put in. The consensus is that the U.S. probably got some of the last whey tender. This served to further tighten the market. Export sellers are concerned that prices are moving so fast that they will begin to lose market share rapidly to foreign competitors. Production of whey is less than anticipated across the West. This fact is bolstered by the results of cash cheese market sales activity this week when all time record prices were recorded. Milk is short, cheese is short, and whey is now also short.

NONHYGROSCOPIC: .1600 - .2200 MOSTLY: .1700 - .1850

ANIMAL FEED WHEY - CENTRAL

Prices are higher on a firm market. Supplies of milk replacer are limited for the good interest. Prices are anticipated to trend higher with increases in the Extra Grade whey price. Veal prices are generally higher while the early weaned pig market is reported as steady to weak.

F.O.B. CENTRAL:
MILK REPLACER: .1700 - .1900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are generally higher on a steady to firm market. Supplies are generally tightening yet additional loads are available. Inquiries are reported as heavy. Movement is good with some plants clearing multiple containers into export markets. Feed buyers are having difficulty in locating loads for sale. As a result, more interest is reported in a low protein alternative, delactose, especially with limited availability of whey and higher whey prices reported. High protein markets continue to firm, reducing supplies of WPC 80% that tend to operate as a competitive substitute to WPC 34%. Production is steady and inventories are generally in balance.

F.O.B. EXTRA GRADE 34% PROTEIN: .4175 - .5000 MOSTLY: .4475 - .4675

LACTOSE - CENTRAL AND WEST

Lactose prices are unchanged on a steady to firm market. In light of higher whey and permeate prices and reduced milk supplies, producers are generally offering higher into the second quarter. Contracts finalized thus far for second quarter are higher. Spot interest is best on the higher mesh sizes with trades noted at a premium. Interest in lower mesh size lactose in totes is light with trades reported at a discount. Production is steady and inventories are mostly in balance.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2000 - .2700 MOSTLY: .2200 - .2300

CASEIN - NATIONAL

Casein markets and prices remain firm. Under invitation #014, the Kansas City Commodity office announced the sale of 3,147,079 pounds of government owned skim milk powder for the production of casein/caseinate. There were four awards with prices ranging \$0.22 - 0.25 per pound. Since this program began in June 2002, 13.5 million pounds of powder has been sold for this purpose with over 70% of this total returning to the industry over the past six months.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.2500 - 2.4000
ACID: 2.2500 - 2.4500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. However, most producers are in the process of announcing price increases. With the prices of cheese and butter increasing so sharply at the CME, and the inclusion of those prices in the milk pricing formulas, evaporated milk producers are adjusting and re-adjusting their price increases to keep pace with milk price projections. Buyers are not happy with this development. Producer expect 2004 milk prices to jump quickly and hold at high levels for most of the year. Production levels are moderate as surplus milk volumes are not always available to some producers. Demand is slow to fair.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	03/03	03/04	03/05	03/08	03/09	03/10	03/11	03/12	03/15	03/16
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
FEB 04	11.88 (2135) 1	11.89 (2084) 0	11.89							
MAR 04	13.56 (2722) 36	13.57 (2710) 45	13.64 (2721) 17	13.64 (2750) 104	13.66 (2787) 89	13.71 (2741) 12	13.77 (2808) 180	13.83 (2849) 113	13.88 (2811) 172	13.90 (2814) 71
APR 04	14.36 (2932) 221	14.54 (2893) 260	14.67 (2965) 192	14.63 (3140) 298	14.99 (3171) 392	15.61 (3495) 688	15.86 (3790) 732	16.34 (3839) 611	16.92 (4208) 818	17.34 (4460) 538
MAY 04	14.80 (2733) 400	15.00 (2840) 363	15.23 (2926) 252	15.23 (3031) 263	15.49 (3122) 379	15.99 (3344) 473	16.16 (3615) 552	16.32 (3908) 675	16.65 (4039) 579	16.85 (4227) 416
JUN 04	14.85 (2617) 341	15.00 (2796) 436	15.27 (2898) 321	15.26 (3026) 276	15.55 (3096) 266	15.87 (3268) 378	15.99 (3584) 481	15.95 (3641) 402	15.96 (3744) 641	16.00 (3782) 436
JUL 04	15.00 (2452) 267	15.25 (2550) 413	15.44 (2634) 248	15.42 (2829) 333	15.65 (2910) 275	15.88 (3051) 265	15.95 (3233) 307	15.89 (3242) 336	15.63 (3271) 410	15.44 (3360) 474
AUG 04	15.19 (2458) 229	15.23 (2573) 348	15.50 (2664) 237	15.40 (2796) 260	15.65 (2929) 228	15.87 (3019) 261	15.80 (3068) 314	15.74 (3107) 284	15.45 (3134) 432	15.20 (3133) 391
SEP 04	15.40 (2736) 260	15.55 (2862) 339	15.69 (3054) 322	15.62 (3114) 245	15.75 (3210) 238	15.87 (3294) 318	15.79 (3308) 329	15.69 (3365) 286	15.45 (3352) 370	15.20 (3333) 376
OCT 04	14.43 (2055) 198	14.50 (2191) 285	14.60 (2221) 68	14.59 (2342) 158	14.75 (2346) 134	14.85 (2411) 286	14.78 (2482) 204	14.70 (2464) 139	14.41 (2450) 279	14.25 (2451) 177
NOV 04	13.15 (1440) 95	13.24 (1443) 92	13.31 (1458) 70	13.22 (1472) 84	13.35 (1501) 105	13.42 (1556) 222	13.36 (1577) 116	13.32 (1562) 112	13.20 (1549) 191	13.01 (1534) 196
DEC 04	12.66 (1028) 41	12.70 (1036) 63	12.80 (1041) 52	12.76 (1083) 54	12.78 (1088) 80	12.82 (1117) 167	12.84 (1121) 76	12.78 (1113) 65	12.60 (1068) 158	12.32 (1111) 122
JAN 05	12.05 (138) 9	12.05 (142) 8	12.20 (184) 47	12.20 (190) 15	12.20 (191) 10	12.20 (193) 12	12.20 (194) 7	12.15 (196) 7	12.15 (202) 13	12.10 (210) 10
FEB 05	11.90 (56) 34	11.90 (59) 3	11.98 (68) 15	11.96 (76) 8	11.96 (83) 8	11.95 (92) 10	11.95 (104) 15	11.95 (107) 3	11.95 (112) 7	11.85 (118) 8
MAR 05	11.70 (63) 1	11.74 (64) 3	11.88 (64) 0	11.88 (64) 1	11.88 (66) 3	11.99 (65) 7	11.93 (74) 15	11.90 (75) 4	11.80 (75) 0	11.80 (75) 1
APR 05	11.60 (46) 0	11.68 (46) 1	11.85 (46) 0	11.85 (46) 1	11.85 (47) 1	11.88 (48) 1	12.00 (48) 0	11.95 (48) 0	11.95 (48) 0	11.95 (46) 2
MAY 05	11.60 (29) 0	11.60 (29) 0	11.90 (29) 0	11.90 (29) 1	11.90 (30) 1	11.94 (31) 1	11.99 (31) 0	11.99 (31) 0	11.99 (31) 0	11.99 (31) 0
JUN 05	11.90 (11) 1	12.00 (11) 1	12.20 (12) 1	12.19 (12) 1	12.19 (13) 2	12.20 (13) 0	12.20 (13) 0	12.20 (13) 0	12.20 (13) 0	12.20 (13) 0
CME - (CLASS IV) MILK FUTURES -- Dollars per cwt.										
FEB 04	12.06 (5) 0	12.06 (5) 0	12.21							
JUL 04	13.45 (3) 0	13.45 (3) 0	13.55 (3) 0	13.55 (4) 1	13.50 (4) 0	13.75 (4) 0	13.75 (4) 0	13.75 (4) 0	13.75 (4) 0	13.75 (4) 0
AUG 04	13.45 (3) 0	13.45 (3) 0	13.55 (3) 0	13.55 (4) 1	13.50 (4) 0	13.75 (4) 0	13.75 (4) 0	13.75 (4) 0	13.75 (4) 0	13.75 (4) 0
SEP 04	13.55 (3) 0	13.55 (3) 0	13.65 (3) 0	13.65 (4) 1	13.60 (4) 0	13.80 (4) 0	13.80 (4) 0	13.80 (4) 0	13.80 (4) 0	13.80 (4) 0
OCT 04	13.55 (3) 3	13.55 (3) 0	13.65 (3) 0	13.65 (4) 1	13.60 (4) 0	13.85 (4) 0	13.85 (4) 0	13.85 (4) 0	13.85 (4) 0	13.85 (4) 0
CME - BUTTER FUTURES -- Cents per pound										
MAR 04	199.00 (128) 21	200.00 (122) 13	205.00 (122) 21	211.75 (70) 6	214.00 (62) 8	219.00 (53) 2	219.00 (53) 0	216.00 (44) 10	210.00 (44) 8	211.00 (49) 33
MAY 04	200.00 (227) 8	203.00 (228) 6	208.00 (229) 18	216.00 (233) 10	218.00 (242) 16	223.00 (247) 13	224.00 (254) 14	219.00 (264) 21	214.00 (266) 2	214.25 (278) 24
JUL 04	203.00 (211) 13	204.00 (211) 3	209.00 (206) 7	217.00 (206) 8	220.00 (210) 10	225.00 (223) 24	227.02 (224) 20	222.02 (232) 14	216.00 (233) 3	217.00 (233) 0
SEP 04	205.00 (60) 5	207.00 (60) 3	212.00 (61) 9	218.00 (62) 13	221.00 (59) 6	226.00 (59) 1	226.00 (68) 13	221.00 (74) 6	215.00 (77) 2	216.00 (77) 0
OCT 04	206.00 (60) 2	209.00 (62) 3	214.00 (61) 12	218.00 (58) 7	219.50 (59) 2	223.00 (59) 1	223.00 (62) 3	218.00 (62) 0	216.00 (62) 1	217.00 (62) 0
DEC 04	201.00 (81) 1	203.00 (81) 1	208.00 (81) 0	212.00 (83) 2	215.00 (83) 0	215.00 (83) 0	215.00 (83) 0	215.00 (83) 0	214.50 (83) 0	214.00 (83) 2

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered March 8 - 19, 2004

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production throughout Europe continues to increase seasonally, although reports vary as the milk quota year-end nears. Often, milk producers are closely monitoring their marketings to avoid over production penalties as 31 March nears, thus true gains are hard to monitor at this time. After April 1, most milk handlers anticipate receipts to increase significantly. The biggest topic of discussion in Western Europe is the recent subsidy cuts for various dairy products and their impact on prices and sales activity. Current refunds are now at levels of about a year and half ago. The cuts were 100 Euros for skim milk powder and butter with whole milk powder being reduced by 105 Euros. The recent reductions bring the skim milk powder export refund to 545 Euros, whole milk powder to 930, and butter to 1680 per ton. These reductions have increased the base fob price for these products, but basically, no sales are being reported unless traders are holding old refunds and are able to finalize the transaction by the end of April. There is buyer interest occurring, but many traders and handlers state that this interest is for post May 1 delivery at which time there will no longer be refunds in the format as now. At that time, although the exact date has not yet been established, the EU will start allocating export refunds by a tendering system. This new and highly controversial program is not being looked upon favorably by many producers, handlers, and traders. Many are questioning the workings of the program, but are getting few answers. European prices are often higher, although many refer to their quoted price levels as nominal. Traders have indicated that US importers are inquiring about EU sourced butter for their needs. At this time, there are no export refunds for US business, thus EU sourced butter is too expensive.

BUTTER/BUTTEROIL: Butter markets are firm with prices unchanged to higher. The recent export refund reduction basically pushed fob prices \$120 higher. Some butter traders and handlers indicate that they have not adjusted their prices as much because of the lack of ability to negotiate sales. Some sales continue to Russia, while buyer interest from the US is going unfilled in the EU with some sales being reported out of Eastern Europe. Butter traders indicate that buyer interest is being reported, but this interest is for post May delivery when the current export refund system will be replaced with a tendering system. Traders state that it is too risky to negotiate sales for that time not knowing how the tendering program will work and at what level the refunds will be.

82% BUTTERFAT:	1,550 - 1,700
99% BUTTERFAT:	1,800 - 2,000

SKIM MILK POWDER (SMP): European skim milk powder markets are firm as prices adjust following the recent reduction of the export refund. The EU Dairy Management Committee reduced the export refund by 100 Euros (\$120) to 545 Euros per MT. This rate is the lowest in about 1 ½ years. The main reason for the adjustment was recent strength of the dollar against the Euro. Intervention is now open in the EU. Although still early, about 900 MT of powder was offered to the program in the first week. Reports indicate that powder is being readied in the UK and Ireland for offering to the program. There is little sales activity being reported in the EU, while Eastern traders are somewhat more active.

1.25% BUTTERFAT:	1,850 - 1,900
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WHOLE MILK POWDER (WMP): Whole milk powder markets are firm price wise, although sales activity is limited. Late last week, the EU Dairy Management Committee reduced the export refund for whole milk powder by 105 Euros (\$126) to 930 Euros per MT which pushed prices to current levels. Traders and handlers indicate that there is buyer interest, although this interest is for post May 1 delivery. At that time, 10 new countries will be included with the current EU 15, impacting export dealings.

26% BUTTERFAT:	1,900 - 2,000
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SWEET WHEY POWDER: Whey powder markets are mixed although prices are generally lower. Stocks of powder are reported to be fully sufficient for needs with international buyer interest still light due to higher than desired European prices.

NONHYGROSCOPIC:	450 - 500
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OVERVIEW: EASTERN EUROPE: Milk production in Eastern Europe continues to seasonally build. Recent temperatures have been cooler than usual for this time of the year, but within the last week, more spring like conditions

OCEANIA

OCEANIA OVERVIEW: Oceania milk production continues to wind down seasonally. In New Zealand, recent heavy rainfall has had a mixed impact on overall milk production patterns for this time of the season. Although the rainfall has basically ended, some heaviest hit areas are still trying to rebound/recover from the excessive volumes of moisture. In other areas, the moisture was heavy, but pastures and the milking herd were able to adjust to the moisture volumes better. At this point, seasonal milk production projections continue to run in the 2 - 3% heavier range in comparison to last season. Milk producers and handlers are hopeful that this moisture will help stretch the end of the milk production season a little later than recent years. In Australia, milk production continues to lag last year, although the deficit of a few months ago of 7 - 8% has now been narrowed. For the period of July - January, milk output is running 5.5% behind last season. For the first month this season, January's production surpassed its' comparable month last season. Milk producers and handlers are hopeful that this trend will continue and the end of the production season will finish strong. Stocks of manufactured dairy products continue to be reported as tight. Most handlers and traders feel that they will be able to fulfill their contracted commitments, but also indicate that there will have very little, if any, additional product available for spot buyer interest. As the milk production season declines, manufactures, when possible, are directing milk toward products of most need or best return. At this point, production of most products remains seasonally active, with cheese output garnering additional milk volumes when available.

BUTTER: Oceania butter markets are basically steady at unchanged prices. Butter stocks are in very close balance with producers and handlers hopeful that they will have adequate stocks to fill orders. Oceania traders are aware of the tight supply situation in the U.S. but indicate that they have not had a significant volume of buyer inquiries. At this point, supplies are tight and fully committed to known customers with suppliers not committing to additional buyer interest.

82% BUTTERFAT:	1,550 - 1,700
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CHEDDAR CHEESE: Cheese markets are steady to firm. Late seasons cheese production is strong as milk handlers clear extra milk through the cheese vat when possible. Stocks of cheese are in close balance but sufficient to maintain regular shipping schedules. Cheese demand remains strong, thus Oceania producers and traders are hopeful that the last half of the current production season will stretch out a little longer.

39% MAXIMUM MOISTURE:	2,350 - 2,600
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SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady. Oceania traders are closely monitoring what impact the recent cut in export refunds in the EU will have on international powder pricing. At this point, traders indicate that prices are holding steady, although the price tone is firm. Stocks of powder in Australia and New Zealand are in close balance with powder fully committed to known buyers.

1.25% BUTTERFAT:	1,800 - 1,900
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WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady to firm. Powder production is seasonally active, although milk volumes are trending lower. Stocks of powder are tight and are limited to contractual commitments. Most producers and handlers do not foresee any significant volumes available at the end of the production and shipment season.

26% BUTTERFAT:	1,800 - 1,950
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Exchange rates for selected foreign currencies: MARCH 15, 2004

.7498 Canadian Dollar	.0221 Indian Rupee
.3439 Argentina Peso	.6463 New Zealand Dollar
.0908 Mexican Peso	.7373 Australian Dollar
.2608 Polish Zloty	.0091 Japanese Yen
	1.2271 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0908)= 11.0132. That is 1 US Dollar equals 11.0132 Mexican Pesos.

Source: "Wall Street Journal"

EASTERN OVERVIEW CONTINUED: are being reported. Eastern European dairy product traders are indicating that buyer interest has been active, mainly due to the inability of many EU sources to acknowledge this interest at this time.

Measures of Growth in Federal Milk Order Markets, Selected Years, 1947-2003

Year	Number of markets 1/	Population of Federal milk marketing areas	Number of handlers 1/	Number of producers 2/	Receipts of producer milk 3/	Producer milk used in Class I	Percentage of producer milk used in Class I	Prices at 3.5% butterfat content 2/		Receipts as percentage of milk sold to plants and dealers		Daily deliveries of milk per producer	Gross value of receipts of producer milk 4/	
								Class I	Blend	Fluid grade	All milk		Per producer	All producers
	Number	1,000	Number		Million pounds		Percent	Dol. per cwt.		Percent		Pounds	Dollars	1,000 dol.
1947	29	---	991	135,830	14,980	9,808	65.5	4.65	4.34	---	21	302	5,024	682,407
1950	39	---	1,101	156,584	18,660	11,000	58.9	4.51	3.93	41	25	326	4,914	769,442
1955	63	46,963	1,483	188,611	28,948	18,032	62.3	4.67	4.08	51	32	420	6,510	1,227,815
1960	80	88,818	2,259	189,816	44,812	28,758	64.2	4.88	4.47	64	43	648	10,482	1,989,615
1965	73	102,351	1,891	158,077	54,444	34,561	63.5	4.93	4.31	70	48	944	15,300	2,418,526
1970	62	125,721	1,588	143,411	65,104	40,063	61.5	6.74	5.95	79	59	1,244	27,636	3,963,311
1975	56	150,666	1,315	123,855	69,249	40,106	57.9	9.36	8.64	78	63	1,532	49,233	6,097,768
1980	47	164,908	1,091	117,490	83,998	41,034	48.9	13.77	12.86	80	67	1,954	93,685	11,007,001
1985	44	176,440	884	116,765	97,762	42,201	43.2	13.88	12.61	80	70	2,294	107,871	12,595,522
1986	44	177,992	849	112,322	98,791	42,725	43.2	13.60	12.38	80	71	2,413	111,581	12,515,451
1987	43	180,374	797	105,882	98,182	42,876	43.7	13.90	12.51	80	71	2,542	118,402	12,529,800
1988	42	184,180	776	104,141	100,066	43,141	43.1	13.42	12.14	79	71	2,627	119,261	12,419,974
1989	41	185,919	748	100,291	95,871	43,367	45.2	14.51	13.30	75	68	2,614	129,744	13,012,796
1990	42	195,841	753	100,397	102,396	43,783	42.8	15.55	13.78	77	70	2,796	142,324	14,289,567
1991	40	198,409	722	100,267	103,252	45,033	43.6	13.30	12.11	76	71	2,821	121,479	12,180,354
1992	40	200,530	698	97,803	107,947	44,914	41.6	14.57	13.12	77	73	3,017	146,452	14,323,698
1993	38	199,604	675	92,934	103,979	44,805	43.1	14.19	12.89	73	69	3,073	145,350	13,507,974
1994	38	201,561	629	91,397	107,811	44,866	41.6	14.75	13.16	75	71	3,232	156,253	14,281,193
1995	33	207,548	571	88,717	108,548	45,004	41.5	14.19	12.79	75	71	3,350	157,754	13,995,454
1996	32	209,599	570	82,947	104,501	45,479	43.5	16.19	14.64	72	69	3,442	187,713	15,570,261
1997	31	208,379	570	78,422	105,224	44,917	42.7	14.36	13.10	71	69	3,676	178,424	13,992,366
1998	31	210,484	522	72,402	99,223	44,968	45.3	16.14	14.92	66	64	3,755	202,770	14,681,340
1999	31	212,118	487	69,008	104,479	45,216	43.3	16.24	14.09	67	65	4,148	216,794	14,960,544
2000	11	228,899	346	69,590	116,920	45,989	39.3	14.24	12.11	72	70	4,590	207,913	14,468,892
2001	11	231,487	350	66,423	120,223	45,887	38.2	16.96	14.90	75	73	4,959	275,642	18,308,968
2002	11	234,256	338	63,856	125,546	46,043	36.7	13.69	11.91	77	76	5,387	239,520	15,294,802
2003	11	236,180	331	58,110	110,581	45,843	41.5	14.10	12.12	67	65	5,178	242,066	14,066,672

1/ End of year. The number of markets peaked at 83 in 1962. The number of handlers peaked at 2,314 in 1961.

2/ Average for year. The number of producers peaked at 192,947 in 1961.

3/ Beginning in 1989, due to disadvantageous price situations in some markets, handlers elected not to pool milk that normally would have been associated with the order. This has reduced, sometimes substantially, the volume of producer milk receipts reported for some markets.

4/ Based on blend (uniform) price adjusted for the butterfat content, and in later years, other milk components of producer milk.

FEBRUARY MILK PRODUCTION

Milk production in the 20 major States during February totaled 11.8 billion pounds, up 1.7 percent from February 2003. **However, adjusting production for the additional day due to the leap year causes February milk production to be down 1.8 percent on a per day basis.** January revised production, at 12.5 billion pounds, was down 1.0 percent from January 2003. The January revision represented a decrease of 11 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,531 pounds for February, 42 pounds above February 2003.

The number of cows on farms in the 20 major States was 7.72 million head, 91,000 head less than February 2003, but 4,000 head more than January 2004.

FEBRUARY 2004 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2003	2004	2003	2004	2003	2004	% CHANGE FROM 2003
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	155	155	1,850	1,880	287	291	1.4
CA	1,676	1,705	1,655	1,680	2,774	2,864	3.2
FL	146	139	1,290	1,375	188	191	1.6
ID	394	412	1,650	1,700	650	700	7.7
IL	114	108	1,485	1,520	169	164	-3.0
IN	147	145	1,525	1,590	224	231	3.1
IA	204	194	1,480	1,510	302	293	-3.0
KY	120	112	1,000	1,025	120	115	-4.2
MI	302	299	1,590	1,670	480	499	4.0
MN	480	465	1,385	1,425	665	663	-0.3
MO	133	124	1,150	1,185	153	147	-3.9
NM	314	326	1,605	1,660	504	541	7.3
NY	677	660	1,400	1,400	948	924	-2.5
OH	260	259	1,360	1,370	354	355	0.3
PA	588	564	1,430	1,425	841	804	-4.4
TX	320	317	1,410	1,585	451	502	11.3
VT	152	146	1,370	1,425	208	208	---
VA	116	105	1,235	1,310	143	138	-3.5
WA	248	240	1,750	1,790	434	430	-0.9
WI	1,265	1,245	1,370	1,415	1,733	1,762	1.7
20 STATE TOTAL	7,811	7,720	1,489	1,531	11,628	11,822	1.7

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (3-04), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

THE DAIRY OUTLOOK FOR 2004

Summary--Last year was a year of transition. The surge in dairy farm expansions and the period of very low exit of weaker farms, both triggered by the generally high returns of 1996-2001, finally came to an end. Meanwhile, dairy product demand was slowly moving out of its late 2001-2002 weakness. It only remained to work off the huge butter stocks before dairy markets could return to better balance--something that was accomplished by yearend. Conditions in 2004 promise to be considerably different. Farm structural changes are likely to show the effects of the low 2002-03 returns, while milk per cow is beset with a number of possible weaknesses. Demand appears to be mostly back to normal, and stocks are moderate. Prices are expected to recover this year.

Demand Slowly Recovering--Recent patterns of commercial use illustrate how the structure of dairy product demand has changed over the years. Restaurant use of butter and cheese began to weaken in late 2001-early 2002 in response to economic softness and shifting consumer expenditures. This weakness persisted well into 2003. By late in the year, economic recovery had brought restaurant spending back, and cheese and butter use were showing some strength. However, dairy demand from this sector still lagged the very brisk 1999-2001 period. Food processor use of dairy products as ingredients was particularly sluggish during the last 2 years. Dairy products are generally used to boost quality in premium versions of foods, a position that makes them vulnerable when consumers become more conservative about food spending. There may have been a modest recovery in ingredient use late in 2003, but this segment generally remains weak. The retail segment was a bit more robust than the other segments in 2003 but was somewhat sluggish most of the year. Consumers seemed to be passing by the treats they had bought in earlier years. However, the autumn holiday season reportedly was the strongest in a number of years.

Dairy demand appears to have gained some momentum during 2003 and is expected to continue its recovery this year. The restaurant segment is projected to do better, and ingredient use should come back somewhat. However, the improvement as yet has not been either steady or strong. Consumer spending may stay unsettled. In addition, it is unclear what the effects of recent intense media attention on weight problems might be. Commercial use of all dairy products is projected to grow about 1 percent on a milkfat basis in 2004. Boosted by expected larger ingredient use, commercial use on a skim solids basis is projected to rise more--about 2 percent. Although welcome, these increases represent only modest recovery in dairy demand.

Milk Production Slows--Milk per cow grew only fractionally in 2003. More tellingly, the rise from the 5-year moving average was dramatically below the long-run trend. However, this has been far from unusual in recent years. Expansion has been well below average for 3 straight years and for 6 of the last 8 years. A number of factors contributed to last year's sluggish gains in milk per cow. Milk prices were low relative to concentrate feed prices. Although the milk-feed price ratio does not shape gains in output per cow as much as formerly, recent ratios have made producers cautious about boosting concentrate feeding. In addition, 2003 resembled 2002 in having large amounts of mediocre alfalfa hay but tight supplies of good hay. Other factors probably included an unusually large share of first-calf heifers in the milking herd and somewhat conservative use of bovine somatotropin (BST). Supplies of heifers available to start production in 2003 were quite large, a welcome relief from the heifer shortage of 2002. But, such a large cohort of heifers serves to lower average milk per cow the first year. Low milk prices probably made farmers leery of using BST on cows other than those with high odds of a profitable response. Monsanto has announced that it will accept no new BST customers in 2004 and that established users will be allowed only half their normal purchases. With more than a fifth of the cow herd currently receiving the hormone, reduced availability will significantly affect 2004 milk per cow. Somewhat unattractive milk-feed price ratios and uneven forage quality probably will also work against recovery in milk per cow. On the other hand, a much smaller number of first-calf heifers should spur gains in milk per cow. Milk per cow in 2004 is expected to rise only slightly more than 1 percent from 2003 on a daily average basis. Growth may pick up later in the year but significant recovery probably will have to wait until 2005.

Changes in milk cow numbers during 2002 and 2003, like most earlier periods, were driven by structural changes induced by milk prices and returns. What made these years different was the delay between changes in returns and the effects of structural adjustments. The generally high returns of 1996-2001 unleashed a wave of dairy farm expansions during 2001 and 2002. However, many of these new facilities were not completely filled until 2003 because of the shortage of dairy replacements. These expansions bolstered milk cow numbers into early 2003. Similarly, the rate of farms exiting was relatively low in 2001 because of the strong returns. The exit rate stayed slow during most of 2002 in spite of sharply lower returns. Even the relatively

weak farms entered the year much better able to continue than normal, and their ability to persist was further enhanced by the Milk Income Loss Contract payments. However, the low returns were taking their toll by late 2002 and 2003, and the exit rate picked up considerably. Returns in 2004 are expected to be somewhat stronger than in 2002 or 2003 but still relatively weak. Dairy farm exits probably will remain numerous. Expansion by stronger producers might pick up a bit after the 2003 hiatus but is projected to stay fairly modest. Significantly fewer heifers will enter the milking herd this year, even though the overall herd of replacement heifers on January 1 was only 2 percent below a year earlier. An unusually large share of the year-earlier heifers were older animals, and the number expected to begin milking in 2004 was down 4 percent. And, no Canadian replacements will be available so long as the ban on importation of live animals continues. Although new regulations are in the comment process, it is uncertain when the current prohibition will end. Milk cow numbers are projected to decline at a fairly rapid rate throughout 2004. For the year, cows are expected to average almost 2 percent fewer than in 2003, the largest decline since at least 1991. Milk production in 2004, on a daily average basis, is projected to be about the same as in 2003. Production in 2003 was likewise steady. Such stability would be highly unusual in an industry where typical shifts in output have become much larger than in the past.

International Prices Firm--International market prices of butter and nonfat dry milk have risen since mid-2003. Seasonal tightness in the Northern Hemisphere played a role (particularly for butter), as did Oceania's lackluster rebound from the previous season's drought. However, the primary factor in the price rises was simply the weakness in the U.S. dollar. Import demand has been modestly good. Export supplies in 2004 are expected to be moderate. Short-run price prospects probably will be affected much more by exchange rates than by dairy market developments. Supplies from Oceania reportedly are fairly fully committed for the rest of the season, the EU situation likely will be fairly stable, and demand seems to be on a fairly steady course. At current U.S. butter prices, high tariff imports of milkfat are profitable. However, the size of imports beyond the tariff-rate quotas (TRQ) are quite uncertain. Oceania supplies reportedly are very limited for the rest of the season, although diversions from other customers or good late-season weather could make more milkfat available. Supplies elsewhere probably also will be tight. Lastly, previous experience indicated that the inherently high risk of over-TRQ imports trims the amount brought in unless a buyer is willing to commit firmly well in advance.

Dairy Prices Jump--Counterseasonal increases in wholesale butter and cheese prices have been large this winter. By mid-March, butter prices had jumped more than 80 cents per pound since late December, exceeding \$2 for the first time since the summer of 2001. Meanwhile, cheese prices rose more than 50 cents per pound and had surpassed their 2003 peaks. The roots of these price rises lay in the strong finish to the 2003 holiday season. Recovery in demand and continued slight weakness in milk production left pipeline holdings tight and pulled down the heavy warehouse stocks of butter that had dogged dairy markets since the spring of 2002. Prices began to rise as buyers sought some protection from this market tightening. Since then, a series of bullish factors (mostly related to lower expected production) have created self-perpetuating price increases, as buyer actions to protect against future tightness dried up current markets. The peculiar mix of a counterseasonal price rise, tightened current market fundamentals, and the key role of anticipated market conditions make the ultimate size of the price rise, its duration, and the steepness of the subsequent downward adjustment very difficult to gauge. Given expected conditions, elevated wholesale prices are projected to persist through midyear, with gradual declines during the second half of 2004. Farm milk prices are expected to average more than \$14 per cwt in 2004, running well above a year earlier until at least autumn. Milk prices now seem likely to average substantially higher than the low levels of 2002 or 2003. However, prices may be quite volatile, and a sudden collapse will remain a possibility. Retail dairy prices in 2003 averaged just barely lower than a year earlier, following a fractional increase in 2002. The farm-to-retail price spread fell as retail prices did not keep pace with rising farm milk prices. Since 2000, moderate declines in the spread have alternated with sizable increases. For 2004, retail dairy prices are projected to rise 4-6 percent from a year earlier. The boost in farm prices may be joined by a modest increase in the spread.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-117, March 16, 2004, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

Editor's Note: This summary has been condensed from the original by the Market Information Branch, Dairy Programs, AMS.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, FEBRUARY

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for February have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During February, about 9.8 billion pounds of milk were received from producers. This volume of milk is 5.2 percent lower than the February 2003 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -4.5 percent.) About 3.6 billion pounds of producer milk were used in Class I products, 4.8 percent lower than the previous year. Calendar composition had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilizations were; Class I = 37%, Class II = 11%, Class III = 43%, and Class IV = 9%. The weighted average statistical uniform price was \$13.22 per cwt., \$0.37 higher than last month, and \$2.18 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF FEBRUARY 2004										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,901.4	-3.4	828.2	-6.0	44	18	29	9	13.95
Appalachian (Charlotte)	005	520.4	2.4	346.2	-4.6	67	13	13	7	14.49
Southeast (Atlanta)	007	626.3	5.5	365.2	-5.6	58	11	18	13	14.23
Florida (Tampa)	006	249.2	4.0	204.1	-2.2	82	8	6	4	15.48
Mideast (Cleveland)	033 <u>3/</u>	1,407.8	-2.1	511.2	-5.4	36	15	46	3	12.87
Upper Midwest (Chicago)	030 <u>3/</u>	1,944.2	8.6	354.8	6.8	18	4	75	3	12.36
Central (Kansas City)	032 <u>3/</u>	1,163.5	-29.6	343.1	-16.0	29	8	54	9	12.66
Southwest (Dallas)	126	727.3	-14.6	322.9	-1.9	44	14	30	12	13.67
Arizona-Las Vegas (Phoenix)	131	255.2	-4.2	80.2	-2.3	32	8	35	25	12.89
Western (Salt Lake City)	135	454.6	-5.7	88.2	-1.4	19	6	67	8	12.53
Pacific Northwest (Seattle)	124	580.7	-0.7	164.6	-2.3	28	6	35	31	12.67
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	9,830.6	-5.2	3,608.6	-4.8	37	11	43	9	13.22

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 160 million pounds of milk that normally would have been associated with these markets. In February 2003, the estimated not-pooled volume of milk was 90 million pounds, occurring in Order Nos. 030 and 032. After adjusting for these not-pooled volumes, the year-to-year percent change is -4.5.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MARCH 15 - 19, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 03/12/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	3,765,913	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	3,765,933	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	685,712	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	2,631,364	-0-	-0-
Process	-0-	-0-	-0-	-0-	12,117,600	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	15,434,676	-0-	-0-
NONFAT DRY MILK							
Nonfortified	4,734,648	1,013,984	3,720,664	249,550,943	294,074,229	811,723,000	1,039,379,000
Fortified	-0-	-0-	-0-	-119,048	-0-	46,391,000	46,391,000
TOTAL	4,734,648	1,013,984	3,720,664	249,431,895	294,074,229	858,114,000	1,085,770,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 15 - 19, 2004 =	0.8	43.3	COMPARABLE PERIOD IN 2003 =	38.2	292.6
CUMULATIVE SINCE OCTOBER 1, 2003 =	54.0	2,903.4	CUMULATIVE SAME PERIOD LAST YEAR =	289.3	3,576.3
CUMULATIVE JANUARY 1 - MARCH 19, 2004 =	28.5	1,554.1	COMPARABLE CALENDAR YEAR 2003 =	215.1	2,310.7

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MARCH 15 - 19, 2004 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	721,638	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	2,999,026	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	12,159,200	8,105,567	9,941,319	3.3	39.6
WEST	-42,309	3,765,933	-0-	3,275,476	237,042,554	274,897,306	95.0	59.7
EAST	-0-	-0-	-0-	-0-	4,283,774	9,235,604	1.7	0.7
TOTAL	-42,309	3,765,933	-0-	15,434,676	249,431,895	294,074,229	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 02/28/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2004-Dairy	0.1	0.7	9.2	4.7	17.4	2.8	0.8	1.0	12.8	3.0	52.4	49.9
2003-Dairy	0.2	0.9	8.4	4.3	21.5	2.5	0.4	0.9	14.6	3.1	56.9	52.3
2004-All cows	0.1	0.8	11.6	9.1	27.2	14.8	15.2	2.2	14.1	5.0	100.0	906.7
2003-All cows	0.2	1.1	11.3	12.3	33.5	10.7	13.8	3.1	16.0	6.7	108.7	1,043.9

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64								
II	11.67	12.90										
III	11.61	11.89										
IV	10.97	12.21										

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm